

West Virginia Workers' Compensation Large Deductible Plan Guidelines

The West Virginia Offices of the Insurance Commissioner will consider for approval all reasonable large deductible plans. The guidelines below apply specifically to the workers' compensation line and are provided to assist insurers when developing large deductible plans for West Virginia's workers' compensation market.

These guidelines are not all inclusive; filings will be reviewed on an individual basis. This document is intended to provide carriers with guidance when preparing filings.

- Large deductible plans are usually considered those with deductibles of \$25,000 or greater.
- All large deductible plans will be filed independently by each insurance carrier, intending to meet their underwriting and marketing requirements.
- All large deductible claims are required to be reported to the designated rating/statistical organization on a gross basis.
- Large deductible plans may consist of two components: type of deductible and the type of plan. Type of deductibles options will include medical losses only, indemnity losses only, both medical and indemnity losses. Type of plan identifies the method of derivation and application of the deductible, typical options are deductibles applied on a per claim, per accident, and percent of claim cost basis.
- Large deductible plans must ensure that employer does not pay monies to the claimant; this is to be paid by the insurer.
- All or a portion of the Allocated Loss Adjustment Expenses (ALAE) may be included in the large deductible plans, you must indicate which option is selected. The insurer must define what is included in their ALAE.
- The insurer is responsible for all losses that exceed the large deductible amount.
- All large deductible plans are subject to a premium audit.
- The employer must satisfy financial standards demonstrating strength and stability prior to establishing a large deductible plan, documentation must be provided.
- The insurer's obligation to pay claims shall not be eliminated if the employer fails to reimburse the insured.
- The applicable deductible credit for a large deductible plan must be added back into the premium determination for the surcharge calculation. Please see the West Virginia Premium Algorithm for more information.

Questions pertaining to this letter should be directed to the Rates and Forms Division's Property and Casualty Section at (304) 558-2094.

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